

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|-----------------|
| THE APPLICATION OF P.R. WASTEWATER |) | |
| MANAGEMENT, INC. FOR APPROVALS OF |) | CASE NO. 96-238 |
| OWNERSHIP AND OPERATION, TARIFF, AND |) | |
| INITIAL RATES |) | |

O R D E R

On June 25, 1996, P.R. Wastewater Management, Inc. ("P.R. Wastewater") filed an application with the Commission seeking the authority to acquire the sewage treatment facility owned by Persimmon Ridge Golf Course, Inc. d/b/a Persimmon Ridge Development ("Persimmon Ridge") and operated through a lease agreement by the Persimmon Ridge Homeowners' Association ("Homeowners' Association"). P.R. Wastewater also requested a Certificate of Public Convenience and Necessity to operate the facility, approval of its initial rates for service, and approval of its proposed plan of financing.

Based on the evidence of record, the Commission found that the proposed transfer of the sewage treatment facility from Persimmon Ridge to P.R. Wastewater was feasible, was in the public interest, and was consistent with KRS 278.020(4) and (5). The Commission also found that the financing plan proposed by P.R. Wastewater was for lawful objects within its corporate purpose, was necessary and appropriate for the consistent and proper performance of its service to the public, and would not impair its ability to perform this service. The Commission further found that P.R. Wastewater had the financial, technical, and managerial abilities to operate the sewage treatment facility, through an

experienced contract operator, so that the customers presently served by Persimmon Ridge through the Homeowners' Association would continue to receive adequate and reasonable sewage service.

The Commission issued an interim Order on August 26, 1996, approving the transfer of the sewage treatment facility located at the Persimmon Ridge Development in Shelby County, Kentucky, from Persimmon Ridge to P.R. Wastewater; granting P.R. Wastewater a Certificate of Public Convenience and Necessity to operate the sewage treatment facility located at the Persimmon Ridge Development in Shelby County, Kentucky; and approving the financing plan proposed by P.R. Wastewater through First Capital Bank of Kentucky. P.R. Wastewater's application for approval of initial rates, necessary to provide P.R. Wastewater with an opportunity to recover its reasonable operating costs, service its debt, and provide a reasonable surplus for equity growth, was continued generally. This Order addresses the rates.

Information provided by Persimmon Ridge regarding the sewage treatment facility's previous operating expenses and actual operations was obtained to support the initial rates proposed by P.R. Wastewater. Using this information, the Commission determined P.R. Wastewater's annual revenue requirement based on pro forma operating expenses and interest expense to be \$32,471. P.R. Wastewater's proposed rate schedule consists of a flat monthly rate of \$17.69, which will produce the annual revenues deemed reasonable herein.

Since the historical information was available, the Commission used this information to determine the adequacy of P. R. Wastewater's proposed rates. The Commission will grant the amount of revenues requested by P.R. Wastewater, but advises that P.R.

Wastewater should review its financial position after one year of providing sewage service to Persimmon Ridge Development at this rate to determine whether the rate is resulting in the appropriate amount of revenue.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. The initial rate proposed by P.R. Wastewater and contained in Appendix A, which is attached hereto and incorporated herein, is fair, just, and reasonable.

2. P.R. Wastewater's tariff containing its proposed rates, rules, and regulations should be approved.

3. Within 30 days from the date of this Order, P.R. Wastewater should file with the Commission tariff sheets setting out the rules, rates, and regulations approved herein with the effective date being the date of this Order.

IT IS THEREFORE ORDERED that:

1. The initial rate proposed by P.R. Wastewater and contained in Appendix A is approved for services rendered by P.R. Wastewater on and after the date of this Order.

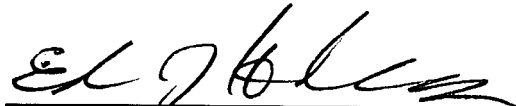
2. P.R. Wastewater's tariff containing its proposed rates, rules, and regulations is approved.

3. Within 30 days from the date of this Order, P.R. Wastewater shall file with this Commission tariff sheets setting out the rates, rules, and regulations approved herein with the effective date being the date of this Order.

Done at Frankfort, Kentucky, this 18th day of October, 1996.

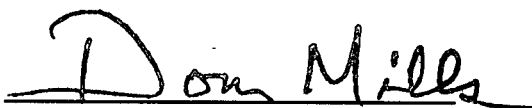
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-238 DATED OCTOBER 18, 1996

The following rates and charges are prescribed for the customers in the area served by P. R. Wastewater Management, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Customer Classification

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|---------------------------|-------------------|
| Single Family Residential | \$17.69 Per Month |
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